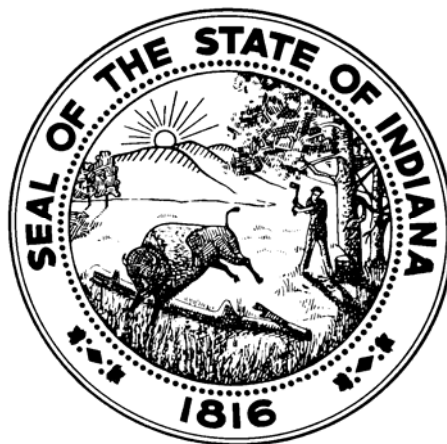


**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

REVIEW REPORT
OF
WAR MEMORIALS COMMISSION
STATE OF INDIANA
April 1, 2003 to September 30, 2006



FILED
03/13/2007

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	William Sweeney Stewart Goodwin	01-08-01 to 03-06-05 03-07-05 to 01-11-09
President of the Commission	George Buskirk, Jr. Brian Regan	01-08-01 to 02-25-04 02-26-04 to 01-11-09



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE WAR MEMORIALS COMMISSION

We have reviewed the receipts, disbursements, and assets of the War Memorials Commission for the period of April 1, 2003 to September 30, 2006. The War Memorials Commission's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the War Memorials Commission are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

February 20, 2007

WAR MEMORIALS COMMISSION
REVIEW COMMENTS
September 30, 2006

SDO FUND DISBURSEMENTS

Disbursements from the War Memorials Commission preventative maintenance Special Disbursing Officer Fund (SDO) have exceeded the single purchase limit established for the fund.

The single purchase limit for the SDO fund cannot be exceeded. Purchases or payments cannot be artificially divided to circumvent the limit. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

COMPENSATORY TIME

As stated in our prior Audit Reports B05405, B14087 and B23380, analysis of the accrual, tracking, and use of compensatory time demonstrated that the War Memorials Commission was not in compliance with the requirements of Financial Management Circular 2004-2.

The Employee Compensatory Worksheet (State Form 42386) was not being properly completed by the employee and approved by the supervisor. Explanations were not given for the purpose of earning the compensatory time, and balances in some cases were not correctly transferred to the next worksheet. In addition, Employee Compensatory Worksheets were not submitted to the payroll clerk to support the amounts earned or used as reported on the attendance reports. This causes a lack of control over the accrual, tracking, approval, and use of compensatory time.

Each agency, department, institution, or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, safeguarding controls of cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Guidelines Manual for State Agencies, Chapter 1)

OFFICIAL BOND

The War Memorials Commission does not have an official bond for the Vice President of the Commission.

Indiana Code 10-18-1-6(a) states, "The president and vice president of the commission shall, before entering upon the discharge of their duties, give bond to the approval of the governor, each in the sum of ten thousand dollars (\$10,000), conditioned for the faithful performance of the duties as may be imposed upon them by law."

WAR MEMORIALS COMMISSION
EXIT CONFERENCE

The contents of this report were discussed on March 5, 2007, with Stewart Goodwin, Executive Director. The official response has been made a part of this report and may be found on pages 6 through 14.



INDIANA WAR MEMORIALS

431 North Meridian Street
Indianapolis, IN, 46204
317-232-7615
www.warmemorial.in.gov

March 5, 2007

OFFICIAL RESPONSE

State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204

To Whom It May Concern:

The Indiana War Memorials Commission wishes to file an official response to the results and comments of the audit covering the period of April 1, 2003 to September 30, 2006.

SDO FUND DISBURSEMENTS

The finding of exceeding a single purchase limit in the Preventative Maintenance SDO account was an oversight on the Administrative Division of the Commission. We have established internal controls that will rectify the problem to preclude a reoccurrence.

COMPENSATORY TIME

In the spring of 2005, the IWM Commission underwent new leadership. It was apparent to the new leadership that numerous past practices demanded attention and required internal controls. For the past two years, General J. Stewart Goodwin has made one of his main objectives to understand and comply with all state protocols and policies. A new Administration Division has been established and General Goodwin has worked closely with them to establish the proper procedures about compensatory time. After finding out who was eligible vs. who was not eligible for comp time he quickly addressed the issue by educating supervisors that those who were not eligible would not be allowed to accrue any comp time. For those who can accrue comp time it must be approved by their immediate supervisory prior to taking the time. Please see Exhibit A for new policy on Comp time.

OFFICAL BOND

During the audit it was brought to our attention the Vice President of the Commission must maintain a bond in the amount of \$10,000. We immediately took action. We contacted our representative at Miles & Finch and added the Vice President to our account so that all respected parties who must retain a bond concur with the statutes. The Indiana War Memorials Commission is in full compliance with the Indiana Code 10-18-1-6(a). Please see Exhibit B for copy of Bond.

Sincerely,

Stephanie N. Orr
Administrative Director

Enclosure

EXHIBIT A

COMP TIME:

The following class codes are NOT eligible for Overtime compensation regardless of number of hours worked during a calendar week. The only exceptions would be by application of FMC 2004-2 for extraordinary projects and efforts. If FMC 2004-2 applies, then these employees may receive Compensatory Time Off - not monetary payment - and should not expect comp for every hour worked. There are also restrictions on use of this comp time and it is never paid out upon transfer or termination; see the FMC for details:

EZA4 Unclassified Executive E4
1DM3 Physical Plant Director
2WN2 Administrative Assistant 2
2WN4 Administrative Assistant 4
2WM1 Program Director 1
2KC3 Museum Specialist 3
5AB1 Security Chief 1

The following class codes ARE eligible for Overtime compensation (either \$ or comp time). They must be paid for every hour worked, and any hours worked in excess of 40 hours in a calendar week must be paid at 1.5x the straight rate (that means 1.5x straight hourly \$ rate per hour in excess of 40 or 1.5 hours for every hour worked in excess of 40 if earning comp time):

5AB3 Security Officer 3
5AB2 Executive Security Officer 2
4AA4 Building Custodian 4
4IA2 Maintenance Repairperson 2
2KC4 Museum Specialist 4

Financial Management Circular #2004-02

(Replaces #87-2.1)

Effective Date: August 23, 2004

General Subject: Compensatory Time Off

Specific Subject: COMPENSATORY TIME OFF

FOR EMPLOYEES EXEMPT

FROM PREMIUM OVERTIME

COMPENSATION AND THE FAIR

LABOR STANDARDS ACT.

Authority: IC 4-15-1.8-7(b)

31 IAC 1-9-2(D)(2)

31 IAC 2-11-2(D)(2)

Application: This circular applies to employees who

are exempt from the Fair Labor Standards Act and ineligible for premium overtime compensation.

Employees not covered by 31 IAC 1-9-2(d)(1), 31 IAC 2-11-2(d)(1), or Financial Management Circular #2004-01 are exempt from eligibility for premium overtime compensation and the Fair Labor Standards Act (FLSA). The state has no legal obligation to pay overtime wages or provide compensatory time off to employees doing exempt work. However, from time to time, agency heads may wish to authorize compensatory time off for certain exempt employees. Agencies that authorize compensatory time off for exempt employees must comply with the officially promulgated personnel rules, the specific requirements of this circular and also with the philosophy expressed herein. This Financial Management circular is intended to interpret 31 IAC 1-9-2(D)(2) and 31 IAC 2-11-2(D)(2). It establishes criteria under which exempt employees may accrue and use compensatory time off. Work performed in accordance with these guidelines shall be deemed to satisfy the approval required by the above-cited rules.

Compensatory time off may be used to reward conscientious, hard-working state employees who have worked extra hours for sustained periods of time as a result of an extraordinary or seasonal agency workload. The State Personnel Department and the State Budget Agency view compensatory time off for professionals as a privilege which agency heads may accord to dedicated employees.

Attempts to abuse this privilege will not be tolerated. Agency heads should consult State Personnel or the Budget Agency if they have questions. All actions taken concerning compensatory time off for exempt employees should be consistent with the tone of this circular.

Exempt positions carry "professional," "administrative" and "executive" responsibilities which may require more than the regularly scheduled number of hours per week to complete routine duties. Professional employees should not expect compensatory time off for this type of work. However, if an agency's workload requires exempt employees to work substantially beyond their normal work schedule (e.g. holidays, weekends and/or late nights), under circumstances, which are unavoidable with good planning, an agency head has the authority pursuant to the personnel rules, to authorize compensatory time off

for exempt employees.

To be eligible for compensatory time off, an employee must receive prior approval from her/his supervisor to work on a specified task for a specified number of hours. Comp time should not accrue for overtime work segments, which are less than four hours. To avoid misuse of this plan it is important for a supervisor to evaluate an employee's productivity during normal work hours to determine whether compensatory time off should be authorized. An employee who does not use her/his normal work time efficiently should not be granted permission to work overtime which will be rewarded with compensatory time off. Occasionally, a supervisor may give prior approval to a project that will take four or more hours of overtime work, but not require that the work be performed in four-hour segments. This provision is made to provide flexibility to supervisors but must be implemented within the intent and spirit of this circular.

A record of the supervisor's approval along with the number of hours worked and the number of hours used must be kept for each employee on the "Employee Compensatory Time Worksheet", State Form #42386 or a computer spreadsheet, which precisely mirrors that form. Supervisor signatures on the Employee Compensatory Time Worksheet or the computer spreadsheet must be original. Supervisors must initial the "Balance Forward" line to validate this figure.

In addition to maintaining the cumulative Employee Compensatory Time Worksheet, compensatory time off earned or used must be reported on the Employee's Attendance Report. Employees may use compensatory time off in quarter hour increments.

Agency heads are obligated to assure that compensatory time off is authorized and used in a manner consistent with this circular. The State Board of Accounts will audit the Employee Compensatory Time Worksheet and Employee Attendance Reports.

Upon termination or interagency transfer an employee receives no compensation for accumulated compensatory time. Accumulated time may not be used after an employee has given notice of her/his intent to terminate or transfer. No exempt employee may use more than three weeks of compensatory time off during a calendar year. Accumulated unused earned comp time may be carried forward from one calendar year to the next.

Overtime compensation for exempt employees that is not consistent with provisions of this circular must be approved by the State Personnel Department and the Budget Director based on an agency plan or specific occurrence.

D. Sue Roberson, Director
State Personnel Department

Marilyn F. Schultz, Director
State Budget Agency

EXHIBIT B

THE
CINCINNATI INSURANCE COMPANY
P.O. BOX 145496 CINCINNATI, OHIO 45250-5496
6200 SOUTH GILMORE ROAD FAIRFIELD, OHIO 45014-5141
513-870-2000

INDIANA PUBLIC OFFICIAL BOND NO. B8883415

KNOW ALL MEN BY THESE PRESENTS:

That we, Steve Short
of New Palastine State of Indiana (as Principal), and **THE CINCINNATI INSURANCE COMPANY** (as
Surety), a corporation organized under the laws of the State of Ohio with its principal office in the City of Fairfield and the State of Ohio are
held and firmly bound unto the State of Indiana, and for the benefit of persons concerned or aggrieved (as Obligee) in the sum of
Ten Thousand Dollars and No/100 Dollars; (\$10,000.00)
to the payment of which well and truly to be made, we bind ourselves, our heirs, executors, and administrators, jointly and severally, firmly
by these presents. Sealed with our seals, and dated this 8th day of February, A.D. 2007.
The condition of the above obligation is as follows, viz,:

NOW THE CONDITION OF THIS OBLIGATION IS SUCH,

Whereas, the above-named and bounden Steve Short
has been duly elected and commissioned or appointed Vice President of the Indiana War Memorial in and
for Marion County, in the State of Indiana, aforesaid, for the term beginning from the
1st day of February, A.D. 2007 and ending on the 1st day of February, A.D. 2008 or
until his/her successor is duly qualified.

Now, if the said Steve Short shall faithfully perform and
discharge his/her duties as such Vice President
and pay over on demand to the persons entitled or authorized to receive the same, all moneys that may come into his/her hands as such
Vice President during his/her continuance in office;
and further, that the Legislature may change, modify, or repeal any law now in force, and exact any and all laws during the existence of the
above obligation at the pleasure of the Legislature, without in any way or manner releasing the said officer or his/her said securities on said
bond; then, and in that case, the above obligation shall cease, be null and void, otherwise to be and to remain in full force and virtue in law.

(Seal)
Steve Short

(Seal)

(Seal)
The Cincinnati Insurance Company
Donna J. Greiner

(Seal)
Donna J. Greiner, Attorney-in-Fact

State of Indiana, Marion County, SS:

Personally appeared before me, Steve Short

in and for said County and State aforesaid, Steve Short
who being sworn, upon his/her oath says:

"I will support the Constitution of the United States and of the State of Indiana, and I will faithfully, honestly, and impartially discharge the duties of the office of Vice President of the Indiana War Memorial to the best of my skill and ability."

Steve Short

Subscribed and sworn to before me, this _____ day of _____, A.D. _____

Notary

ACKNOWLEDGEMENT OF PRINCIPAL

State of Indiana, _____ County, SS:

Personally appeared before me, _____

principal upon the bond appearing on the reverse side hereof and acknowledges the execution of said bond this _____ day of _____, A.D. _____.

Official Capacity

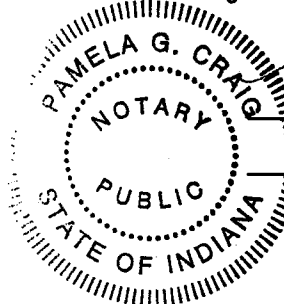
Expiration date of commission, if Notary Public

ACKNOWLEDGEMENT OF SURETY

State of Indiana, County of Howard, SS:

Comes now The Cincinnati Insurance Company by Donna J. Greiner

its agent, surety upon the bond appearing on the reverse side hereof and acknowledges the execution of said bond this 8th day of February, A.D. 2007.



Pamela G. Craig, Notary Public

Official Capacity

Howard County

4/27/09

Expiration date of commission, if Notary Public

THE CINCINNATI INSURANCE COMPANY

Fairfield, Ohio

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That THE CINCINNATI INSURANCE COMPANY, a corporation organized under the laws of the State of Ohio, and having its principal office in the City of Fairfield, Ohio, does hereby constitute and appoint

Michael R. Miles; James J. Iovino; William P. Thatcher; Donna A. Sommervold;
Donna J. Greiner; Sheryl L. Bourff and/or Tamara L. Alexander

of Kokomo, Indiana

and deliver on its behalf as Surety, and as its act and deed, any and all bonds, policies, undertakings, or other like instruments, as follows:

Any such obligations in the United States, up to

Fifteen Million and No/100 Dollars (\$15,000,000.00).

This appointment is made under and by authority of the following resolution passed by the Board of Directors of said Company at a meeting held in the principal office of the Company, a quorum being present and voting, on the 6th day of December, 1958, which resolution is still in effect:

"RESOLVED, that the President or any Vice President be hereby authorized, and empowered to appoint Attorneys-in-Fact of the Company to execute any and all bonds, policies, undertakings, or other like instruments on behalf of the Corporation, and may authorize any officer or any such Attorney-in-Fact to affix the corporate seal; and may with or without cause modify or revoke any such appointment or authority. Any such writings so executed by such Attorneys-in-Fact shall be binding upon the Company as if they had been duly executed and acknowledged by the regularly elected officers of the Company."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 7th day of December, 1973.

"RESOLVED, that the signature of the President or a Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted, and the signature of the Secretary or Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any such power of certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company."

IN WITNESS WHEREOF, THE CINCINNATI INSURANCE COMPANY has caused these presents to be sealed with its corporate seal, duly attested by its Senior Vice President this 1st day of August, 2004.



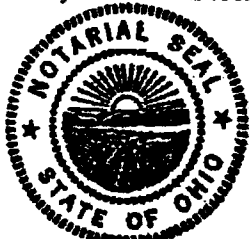
STATE OF OHIO
COUNTY OF BUTLER

) ss:
)

THE CINCINNATI INSURANCE COMPANY

David L. McHardy
Senior Vice President

On this 1st day of August, 2004, before me came the above-named Senior Vice President of THE CINCINNATI INSURANCE COMPANY, to me personally known to be the officer described herein, and acknowledged that the seal affixed to the preceding instrument is the corporate seal of said Company and the corporate seal and the signature of the officer were duly affixed and subscribed to said instrument by the authority and direction of said corporation.



Mark J. Huller
MARK J. HULLER, Attorney at Law
NOTARY PUBLIC - STATE OF OHIO

My commission has no expiration
date. Section 147.03 O.R.C.

I, the undersigned Secretary or Assistant Secretary of THE CINCINNATI INSURANCE COMPANY, hereby certify that the above is a true and correct copy of the Original Power of Attorney issued by said Company, and do hereby further certify that the said Power of Attorney is still in full force and effect.

GIVEN under my hand and seal of said Company at Fairfield, Ohio.
this 8th day of February, 2007



BN-1005 (8/04)

Bruce J. Schlemmer
Secretary